
DEPARTMENT OF STATE REVENUE

Information Bulletin #17
Income Tax
March 2013
(Replaces Information Bulletin #17 Dated January 2003)
Effective Date: March 1, 2013

SUBJECT: Taxation and Filing Requirements of Nonprofit Organizations

REFERENCES: [IC 6-3-2-2.8](#), [IC 6-3-2-3.1](#)

DISCLAIMER: Information bulletins are intended to provide nontechnical assistance to the general public. Every attempt is made to provide information that is consistent with the appropriate statutes, rules, and court decisions. Any information that is not consistent with the law, regulations, or court decisions is not binding on either the department or the taxpayer. Therefore, the information provided herein should serve only as a foundation for further investigation and study of the current law and procedures related to the subject matter covered herein.

SUMMARY OF CHANGES

This bulletin has been changed from the previous version to reflect that the form previously identified as the NFP-20A, Application to File as a Not-for-Profit Organization, is now titled NP-20A, Nonprofit Application for Sales Tax Exemption.

INTRODUCTION

All organizations are subject to the adjusted gross income tax unless the income is specifically exempted from taxation under the provisions of the Adjusted Gross Income Tax Act (Indiana Code 6-3-2-2.8 and 6-3-2-3.1). All nonprofit organizations will be subject to tax on income derived from unrelated trade or business as defined in Section 513 of the Internal Revenue Code.

I. Recognition of Nonprofit Organizations

An organization will not be considered exempt from tax until it applies to and is approved by the Indiana Department of Revenue to file as a nonprofit organization. Application should be made on Form NP-20A, Nonprofit Application for Sales Tax Exemption, and must be made within one hundred twenty (120) days after the organization's formation. If federal nonprofit status has been granted by the Internal Revenue Service, a copy of the determination letter should accompany the NP-20A. For Indiana adjusted gross income tax purposes, the department will accept the exempt status determination by the Internal Revenue Service.

Unlike the Internal Revenue Service, the Indiana Department of Revenue will not approve an application for group exemption for affiliated groups. Each affiliate must apply separately for exemption. International, national, state, or similar governing bodies may submit one set of Articles of Incorporation, Constitution, Bylaws, and similar information requested by the department on behalf of affiliated groups within the state. However, each affiliate is required to file a separate application and submit a copy of its Constitution, Bylaws, etc., if different from the information submitted by its governing body.

After considering the application and information submitted, the department will notify each organization whether it should file as an exempt organization. If an organization's application to file as a nonprofit organization is denied, it may file a formal protest with the department's legal division. If a protest is filed, an administrative hearing shall be scheduled to allow the organization to present additional evidence relevant to its application. All protests should be directed to:

Legal Division
Attn: Appeals Protest Review Board
Indiana Department of Revenue
PO Box 1104
Indianapolis, Indiana 46206-1104

II. Unrelated Business Income

All nonprofit organizations are subject to adjusted gross income tax on their unrelated business income. The term "unrelated business income," as defined in IRC Section 513, means income from a trade or business regularly carried on by the organization which is not substantially related to the exercise or performance by such organization of its charitable, educational, or other purpose or function constituting the basis for its exemption. A trade or business activity is regularly carried on when it manifests a frequency and continuity and is pursued in a manner generally similar to comparable commercial activities of nonexempt organizations. The trade or business is not substantially related to an organization's exempt purpose when it does not contribute importantly to the achievement of that purpose other than by the mere production of income.

An exempt organization receiving unrelated business income will compute its taxable income in the same manner as that of any other taxpayer receiving business income, except that business deductions may be taken only in so far as they are directly related to the production of taxable income. For more information on "unrelated business income" and the computation of unrelated business taxable income, please refer to Internal Revenue Service Publication 598.

III. Filing Requirements

In addition to filing a Form NP-20A, the organization also must file an annual report, Form NP-20, with the department on or before the fifteenth (15th) day of the fifth (5th) month following the close of the taxable year. If the organization fails to file the annual report, the department will notify the organization of such failure. If within sixty (60) days after receiving such notice, the organization does not file the annual report, the organization's exempt status will be canceled. The department may reinstate the organization's exempt status if the organization shows by petition that the failure was due to excusable neglect. Extensions of time to file are available and must be filed with the return if it is filed after the due date.

Forms relating to nonprofit organizations and their due dates are as follows:

| FORM | | FILING DATES |
|---------|--|---|
| IT-6 | Indiana Corporation Estimated Quarterly Income Tax Return. Required if the nonprofit organization's income tax liability in any quarter exceeds \$250. | Due on the 20 th day of the 4 th , 6 th , 9 th , and 12 th months of the taxable year. |
| IT-20NP | Nonprofit Organization Unrelated Business Income Tax Return. | Due on the 15 th day of the 5 th month following the close of the tax year (accounting year of the nonprofit organization). |
| NP-20A | Nonprofit Application for Sales Tax Exemption. | Due within 120 days after the nonprofit organization is formed. |
| NP-20 | Nonprofit Organization's Annual Report. Required by all nonprofit organizations. | Due on the 15 th day of the 5 th month following the close of the tax year (accounting year of the nonprofit organization). |
| NFP-1 | Nonprofit Tax Registration Certificate. | Issued by the department upon approval of application. |

The department will allow nonprofit organizations to attach copies of their annual federal reports and returns to the Indiana annual report, Form NP-20. Form NP-20 will serve as a cover document and must be signed by an authorized person. Completed federal forms 990, 990PF, 4720, and 5500-C can serve as attachments.

IV. Other Taxes

Registration of a nonprofit organization does not relieve the organization from liability for other taxes or from other reporting requirements.

Special provisions apply to nonprofit organizations with respect to sales tax. Certain purchases made by nonprofit organizations are exempt from sales tax. Sales tax must be collected and remitted to the department on sales made by nonprofit organizations unless certain limitations are met. For further information, please refer to Sales Tax Information Bulletin #10, available online at

<http://www.in.gov/dor/3650.htm>.

Miscellaneous Information

Other tax information bulletins that discuss the application of tax to nonprofit organizations are identified below and available online at

<http://www.in.gov/dor/3650.htm>.

| Information Bulletin # | Subject |
|------------------------|---|
| 11 (Income Tax) | Indiana Corporate Estimated Income Tax Payments |
| 7 (Sales Tax) | Application of Sales Tax to Meals and Banquets |
| 11 (Sales Tax) | Application of Sales Tax to Nonprofit Organizations |
| 20 (Sales Tax) | Auctions/Casual Sales Exemption Rules |
| 41 (Sales Tax) | Sales Tax Application to Furnishing of Accommodations |

Questions concerning the taxation of nonprofit organizations can be directed via mail to: Indiana Department of Revenue, Tax Administration Division, Indiana Government Center North, PO Box 7206, Indianapolis, Indiana 46207. You can also call (317) 232-0129. Forms are available on the department's website at www.in.gov/dor.

Michael J. Alley
Commissioner

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